

FISCAL NOTE

HB 2427 – SB 3463

January 28, 2008

SUMMARY OF BILL: Creates the Sudanese Divestment Act of 2008. Requires the Tennessee Consolidated Retirement System (TCRS) to identify all companies involved in scrutinized business operations with Sudan in which the TCRS has direct or indirect holdings, to develop and maintain scrutinized companies lists, to notify such companies in writing, and in certain specified cases, to cease and/or divest investment in such companies. Requires specific periodic reporting to the General Assembly and to the U.S. Presidential Special Envoy to Sudan.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Up to \$1,050,000 / One-Time
\$104,300 / Annual Amortized Cost**

**Other Fiscal Impact - Increase Federal/Other Expenditures:
Up to \$350,000 / One-Time
\$34,700 / Annual Amortized Cost**

Assumptions:

- “Scrutinized business operations” mean any business operations that have resulted in a company becoming a scrutinized company.
- “Scrutinized company” means any company that meets proposed criteria regarding the company having specified business operations with the Government of Sudan, the company being complicit in the Darfur genocide, and/or the company supplying military equipment to the Government of Sudan under specified circumstances.
- One additional position in the State Treasurer’s Office to implement and perform the ongoing provisions of the bill. Such recurring costs are estimated to be \$109,000 per year (\$94,000 for salary and benefits, \$15,000 for communications, supplies, administrative costs, etc.).
- The recurring increase for annual computer enhancements, software upgrades, and software licensing renewals is estimated to be \$30,000 per year.

- The total increase to recurring expenditures is estimated to be \$139,000 (\$109,000 for one position + \$30,000 for computer/software upgrades and renewals = \$139,000) per year.
- The State Treasurer estimates that 75% of such recurring costs (or \$104,300) would be funded with state funds and the remaining 25% (or \$34,700) funded with federal/other funds. Such allocations are based on the distribution of a 75%/25% ratio of the cost for a one percent salary increase.
- The TCRS portfolio contains approximately \$32.0 billion in assets.
- The State Treasurer suggests divestment could represent as much as 0.5% of the TCRS portfolio (or \$160,000,000 in assets).
- The State Treasurer estimates a one-time divestment cost between zero (\$0) and \$1,400,000. According to the State Treasurer, there is some indication from the University of California System that TCRS may not hold any prohibited stocks since TCRS is not positioned in emerging markets such as China, which has a dominant presence in Sudan. However, based on the experience of other states with different lists and the information available from the Securities and Exchange Commission, the costs could reach as much as \$1,400,000.
- The State Treasurer estimates that 75% of such one-time costs (or \$1,050,000) would be funded with state funds and the remaining 25% (or \$350,000) funded with federal/other funds. Such allocations are based on the distribution of a 75%/25% ratio of the cost for a one percent salary increase.
- According to the Comptroller, U.S. companies are already barred from doing business under a 1997 Executive Order.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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